

RADIO PARTS & ELECTRONIC EQUIPMENT INDUSTRY MERCHANDISING PROBLEM ANALYSIS

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Manufacturers of radio parts and electronic equipment are again receiving repeated requests for donations to hamfests, air derbies, servicemen's meetings, local trade conventions, picnics, grand openings, anniversary celebrations, treasure hunts, newspaper and magazine campaigns and other promotional efforts.

The number of these requests has become so great that an industry committee has again studied the problem, analyzed the facts, and reports its findings below.

Problem No. 1

Do manufacturers gain sufficient benefit from participation in local hamfests, air derbies, servicemen's meetings, etc., to justify donations of prizes or cash?

The Facts—Figures obtained from the American Radio Relay League* show there are 275 recognized local groups of amateurs holding monthly, semi-annual or annual meetings. These 275 groups represent about 25,000 of the licensed hams in the United States. The remaining 50,000 licensed hams are either unorganized or belong to local groups not affiliated with ARRL.

In the past the average hamfest has distributed merchandise worth about \$1,000 at distributors' selling prices. If each recognized ham group held only one meeting a year and received donations in this amount, manufacturers would donate \$275,000 per year to reach 25,000 organized hams. This averages an annual expenditure of \$11.00 per potential customer—and kills a potential sale to each customer who gets a prize. The same average figures apply to the unorganized groups and to the servicemen, whose number is thought to equal or exceed the ham total.

Conclusion—The benefits gained are strictly competitive as between manufacturers and are meager for the cost involved. Manufacturers attain no advantage they would not have if this practice were completely abolished. It is therefore considered uneconomical to support local functions by donating prizes or cash.

Problem No. 2

Do manufacturers gain sufficient benefit to justify advertising in programs or local newspapers?

The Facts—The average minimum request for local advertising is \$25.00 per manufacturer; the

maximum, \$75.00. These ads have a limited life for they last only one day, the usual duration of the function in connection with which they are published. They have no related technical articles to interest the reader. They reach a very limited local market.

The average manufacturer has at least 200 local market areas in the United States. If he advertises in only 1/2 of these local areas, whether in programs or in cooperation with distributors in local newspapers, he will spend a minimum of \$2,500 annually to reach limited local markets for one day only. An assumed average total participation of 20 manufacturers in these 100 local promotions would cost the industry a total of \$50,000. This sum must either come out of the advertising appropriations set up for advertising in the more effective national trade papers or be reflected in increased selling prices to the consumer.

Conclusion—Here again the benefits gained are meager for the cost involved. National trade paper advertising is more economical for manufacturers of nationally distributed products because national advertising has longer life, wider circulation, and more direct customer acceptance, all at much lower cost per reader.

Problem No. 3

Do manufacturers gain sufficient benefit to justify displaying their products in local trade shows?

The Facts—Local trade shows are run either in connection with some local industry function or separately as a financial venture by a private group.

The cost of booth space in these shows is usually nominal, but the construction of the display itself, freight charges, installation of the booth at the show, and the transportation expenses and salaries of personnel necessary to man the booth represent an estimated minimum cost of \$1,000 for each manufacturer at each local show, and would mean a total cost of \$20,000 per show if only 20 manufacturers participated.

Conclusion—Costs are prohibitive for the market reached. A cooperative arrangement with distributors for the conduct of a series of local-area displays could minimize cost and increase attendance of distributors' customers. Any other method is uneconomical and unsound.

*As of July, 1946.